

## CHAPTER-IV TAXES ON VEHICLES

### 4.1 Tax administration

The State Commissioner of Transport (CoT) heads Gujarat Motor Vehicle Department (GMVD) under the administrative control of the Secretary to the Government of Gujarat in the Ports and Transport Department. He is assisted by a Joint Commissioner and 82 officials at GMVD head office. There are 26 Regional Transport Offices (RTO). There are 10 permanent check posts<sup>57</sup> and three internal check-posts<sup>58</sup> working under 10 RTOs.

### 4.2 Analysis of budget preparation

The budget estimates are prepared after taking into consideration guidelines given by Finance Department. The elements considered for the preparation of budget were (i) actual receipt of last eight months of previous year and (ii) actual receipt of first four months of the current year.

### 4.3 Trend of receipts

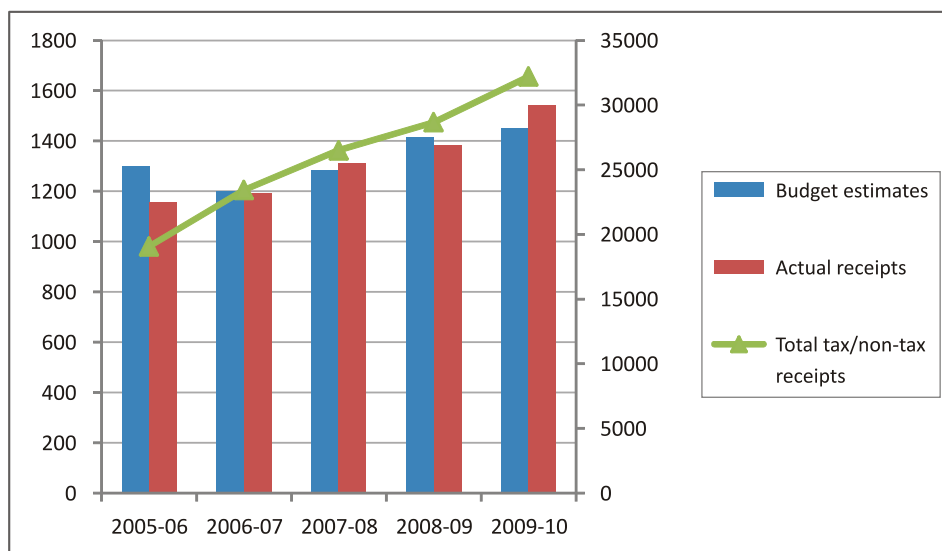
Actual receipts from Motor Vehicle Tax during the last five years from 2005-06 to 2009-10 along with the total tax/non-tax receipts during the same period is exhibited in the following table and graph :

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax/ non-tax receipts of the State	Percentage of actual receipts vis-a vis total tax/ non-tax receipts
2005-06	1,300.00	1,153.97	(-) 146.03	(-) 11.23	19,051.48	6.06
2006-07	1,200.00	1,191.15	(-) 8.85	(-) 0.74	23,413.41	5.09
2007-08	1,284.00	1,310.09	(+) 26.09	(+) 2.03	26,494.88	4.94
2008-09	1,412.40	1,381.66	(-) 30.74	(-) 2.18	28,656.35	4.82
2009-10	1,450.00	1,542.64	(+) 92.64	(+) 6.39	32,191.94	4.79

<sup>57</sup> Ambaji, Amirgarh, Bhilad, Dahod, Deesa, Shamlaji, Songarh, Tharad, Waghai and Zalod.

<sup>58</sup> Budhel (Bhavnagar), Khavdi (Jamnagar) and Samkhiyali (Bhuj).



The Department attributed the reasons for variation between budget estimates and actual receipts during 2009-10 to the increase in registration of vehicles and upward trend of prices of the vehicles. Though there was increase in actual receipts for the period 2005-06 to 2009-10, the actual receipts *vis-a-vis* total tax/non-tax receipts declined from 6.06 per cent to 4.79 per cent.

#### 4.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 amounted to ₹ 96.06 crore of which ₹ 46.02 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2005-06 to 2009-10.

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2005-06	48.54	22.72	58.11
2006-07	58.11	22.15	89.54
2007-08	89.54	59.73	75.73
2008-09	75.73	24.66	80.07
2009-10	80.07	26.36	96.06

The above table indicates that arrears of revenue increased from ₹ 48.54 crore to ₹ 96.06 crore during the period of five years. **The Department needs to take strict action against the defaulters for reduction of arrears.**

#### 4.5 Cost of collection

The gross collection in respect of receipts of taxes on vehicles and taxes on goods and passengers, expenditure incurred on its collection and the percentage of such expenditure to gross collection during the years 2007-08 to 2009-10 alongwith the relevant all India average percentage of expenditure on collection to gross collection for the preceding years are mentioned in the following table.

(₹ in crore)

Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of cost of collection for the preceding year
Taxes on vehicles and taxes on goods and passengers	2007-08	1,461.71	38.57	2.64	2.47
	2008-09	1,551.01	43.43	2.80	2.58
	2009-10	1,549.54	54.79	3.54	2.93

Thus the cost of collection during all the three years remained above the all India average percentage. The Government needs to take appropriate measures to bring down the cost of collection. It was highest in 2009-10, the Department stated that the increase in expenditure on collection of revenue during the year 2009-10 was mainly due to implementation of recommendations of Sixth Pay Commission.

#### 4.6 Impact of Audit Reports - Revenue impact

During the last five years (including the current year's report), audit through its audit reports had pointed out non/short levy, non/short realisation, under assessment/loss of revenue, application of incorrect rate of tax, incorrect computation etc, with revenue implication of ₹ 337.63 crore in 20 paragraphs. Of these, the Department/Government had accepted audit observations in 19 paragraphs involving ₹ 49.74 crore and had since recovered ₹ 5.64 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit report	Paragraphs included		Paragraph accepted		Amount recovered	
	No	Amount	No	Amount	No	Amount
2005-06	5	17.80	5	10.98	5	2.53
2006-07	2	9.10	2	8.95	2	0.09
2007-08	1	83.08	1	4.23	1	0.23
2008-09	4	6.29	4	6.29	4	1.28
2009-10	8	221.36	7	19.29	4	1.51
<b>Total</b>	<b>20</b>	<b>337.63</b>	<b>19</b>	<b>49.74</b>	<b>16</b>	<b>5.64</b>

The above table indicates that recovery in accepted cases was very low (11.34 per cent of the accepted money value).

**The Government may take suitable initiative for speedy recovery.**

#### 4.7 Working of internal audit wing

The department has internal audit wing which has sanctioned strength of three parties consisting of one senior auditor and one sub-auditor. Due to vacant post, two parties were operated and the functioning of the wing for period under report was not regular. During the year 2009-10, details of units planned for the year including units in arrears was not made available by the Department. However, as per information furnished by the Department, internal audit had

carried out inspection of seven field offices and all the 13 check posts. Those 20 audit reports contained 13 paragraphs, out of which action was pending on all the paragraphs. This indicates that the internal audit arrangements were not commensurate with the size of its operations.

#### 4.8 Results of audit

We test checked the records of 24 offices of Commissioner of Transport, Regional Transport and Assistant Regional Transport Offices in the State during the year 2009-10 and noticed under assessment of tax and other irregularities involving ₹ 263.34 crore in 174 cases, which fall under the following categories:

(₹ in crore)			
Sr. No.	Category	No. of cases	Amount
1.	Non/short levy of passenger tax/motor vehicle tax relating to GSRTC/AMTS	13	245.81
2.	Non/short levy/recovery of motor vehicles tax	58	12.52
3.	Other irregularities	103	5.01
	<b>Total</b>	<b>174</b>	<b>263.34</b>

During the course of the year, the Department accepted under assessment and other deficiencies of ₹ 78.16 crore in 89 cases, of which 28 cases involving ₹ 65.71 crore were pointed out in audit during the year 2009-10 and the rest in earlier years. An amount of ₹ 97.59 lakh was realised in 26 cases during the year 2009-10.

A few illustrative audit observations involving ₹ 221.36 crore are mentioned in the succeeding paragraphs.

#### 4.9 Audit observations

*During the scrutiny of the records of various regional transport offices, we observed several cases of non-compliance of the provisions of the Bombay Motor Vehicles Tax Act, 1958, (BMVT Act), the Motor Vehicles Act, 1988 (MV Act), the Central Motor Vehicles Rules, 1989, (CMV Rules) etc., and the Government notifications and other rules as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Such omissions on the part of the departmental officers are pointed out in audit each year; however, not only do the irregularities persist, these also remain undetected till an audit is conducted in the next year. Persistence of irregularities despite being repeatedly pointed out by audit is indicative of systemic flaws in the internal control procedures of the department leading to continued short fall in state revenues. There is need for the Government to improve the internal control procedures and systems.*

#### 4.10 Recommendations

- The department should take up the issue of non-payment of taxes by GSRTC and AMTS at the highest possible level.
- The department should increase the vigilance on the road to detect the vehicles without payment of taxes and without renewal of permits.
- The department should review the mechanism of obtaining residence proof at the time of registration of transport vehicles to ensure the correctness of the addresses.

#### 4.11 Non-realisation of passenger tax, interest and penalty from fleet owners

Section 3 of the BMV (Taxation of Passengers) Act, 1958 and rules made thereunder provide for levy of tax on all passengers carried by a stage carriage at prescribed rate from the fleet owners. The Act also provides for levy of interest and penalty at prescribed rate on delayed payments.

During test check of records of Commissioner of Transport, Gandhinagar in April 2009 for the period 2007-08, we noticed in case of two fleet

owners (GSRTC<sup>59</sup> and AMTS<sup>60</sup>) that these fleet owners had collected passenger tax of ₹ 199.75 crore but did not pay it within the prescribed time. Taxation authority did not take any further action for recovery of dues except issue of demand notice (September 2008). Besides, interest of ₹ 10.81 crore and penalty of ₹ 49.94 crore was also leviable for which demand was not raised. Further, AMTS has delayed payment of passenger tax for CNG buses (private operators), the delay ranged between eight to 36 days. Taxation authority had not demanded interest and penalty for the late payment. This resulted in non-realisation of passenger tax of ₹ 199.75 crore and non-levy of interest of ₹ 10.81 crore and penalty of ₹ 50.06 crore. Total non-realisation worked out to ₹ 260.62 crore including interest and penalty.

After we pointed this out to the Department in September 2009, the Department stated that the matter was brought to the notice of GSRTC and AMTS authorities. Further report has not been received (December 2010).

The matter was brought to notice of the Government (June 2010); their reply has not been received (December 2010).

<sup>59</sup> Gujarat State Road Transport Corporation.

<sup>60</sup> Ahmedabad Municipal Transport Service.

#### 4.12 Non/short realisation of motor vehicles tax on transport vehicles

The BMVT Act prescribes that contract carriage and goods carriage vehicles shall pay assessed tax on monthly and half yearly basis respectively except for the period where the vehicles are not in use. In case of delay in payment, interest at the rate of two *per cent* per month and if the delay exceeds one month, a penalty at the rate of two *per cent* per month subject to a maximum of 25 *per cent* of tax is also chargeable. The Act authorises the department to recover unpaid tax dues as arrears of land revenue. The Act also empowers the taxation authority to detain and keep in custody the vehicles of the owners who defaulted in payment of Government dues.

During test check of records of 22 taxation authorities<sup>61</sup> between July 2008 and July 2009, we noticed that operators of 1,093 omnibuses, who kept their vehicles for use exclusively as contract carriage and 779 vehicles used for transport of goods, had neither paid tax nor filed non-use declarations for various periods between 2007-08 and 2008-09. The

Departmental officials failed to issue demand notices and take recovery action prescribed in the Act. This resulted in non-realisation of motor vehicles tax of ₹ 8.28 crore including interest of ₹ 69.99 lakh and penalty of ₹ 87.89 lakh.

After we pointed this out between June 2009 and January 2010, the Department accepted audit observations involving amount of ₹ 8.28 crore in 1,872 cases and recovered ₹ 1.01 crore in 454 cases. Particulars of recovery in the remaining cases have not been received (December 2010).

The matter was reported to the Government (May 2010); their reply has not been received (December 2010).

<sup>61</sup> Ahmedabad, Amreli, Anand, Bardoli, Bhavnagar, Bhuj, Dahod, Gandhinagar, Godhra, Himatnagar, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Palanpur, Porbander, Rajkot, Surat, Surendranagar, Vadodara and Valsad.

### 4.13 Flawed revenue recovery process

Submission of proof of address is a pre-requisite to register a motor vehicle. This helps the Department to initiate follow up action on annual tax and fee payments. The Act requires RTOs to issue Revenue Recovery Certificate (RRC) against defaulters after one month of non-payment of MVT. At periodic intervals (differs from RTO to RTO), RTO prepares list of cases in which RRC is to be issued. Out of these cases, the RTO issues RRC on selective basis. There is no system of watching as to how many RRCs were due and how many were issued.

During test check of the records of Commissioner of Transport, Gandhinagar and nine taxation authorities<sup>62</sup> between December 2008 and May 2009 for the period 2007-08, we noticed that in 176 cases, there was delay in recovery process, the details of which are mentioned in the table below:

(₹ in lakh)

Sl. No.	No. of cases	Short levy	Reasons recorded for non-recovery
1.	123	338.66	Postal department returned the demand notices due to incorrect address of the defaulters.
2.	31	1.41	Taxation authorities accepted invalid demand drafts of ₹ 1.41 lakh which require to be revalidated.
3.	19	29.67	Taxation authorities issued delayed demand notices. The authority also failed to seize/detain the vehicles relating to which tax was not paid by the owners.
4.	3	8.86	Vehicles were seized by the authorities. However, action was not initiated to auction the vehicles to realise the amount of tax.

Recovery action thus failed in these cases involving Government revenue of ₹ 3.79 crore.

After this was pointed out to the Department between June 2009 and January 2010, the Department accepted audit observation in 145 cases amounting to ₹ 3.77 crore and recovered ₹ 2.01 lakh in 9 cases. Particulars of recovery and replies in the remaining cases have not been received (December 2010).

The matter was reported to the Government (May 2010); their reply has not been received (December 2010).

<sup>62</sup> Ahmedabad, Amreli, Bardoli, Dahod, Godhra, Jamnagar, Nadiad, Surat and Vadodara.

#### 4.14 Non-renewal of national permit

According to the MV Act, a public transport vehicle plying in more than three states is required to obtain national permit and pay an annual fee in the range of ₹ 1,500 to ₹ 5,000 per State. Gujarat Motor Vehicles Department charges an additional fee of ₹ 500 for authorisation of national permit every year, when it renews the national permit. This authorisation is a continuous process unless the period expires or permit is surrendered. The MV Act also provides for levy of penalty for the first offence which may extend to ₹ 100.

During the test check of records of 11 taxation authorities<sup>63</sup> between June 2008 and May 2009 for the year 2003-04 to 2008-09, we noticed that owners of 491 transport vehicles did not renew their national permits. The taxation authorities did not issue any notices to them. There was no

structured mechanism to record and follow up the same. This resulted in non-realisation of authorisation fees of ₹ 6.38 lakh due to the State Government. Besides this, composite fees of ₹ 1.78 crore, relating to other states was also recoverable in the form of demand draft.

After this was pointed out between December 2008 and January 2010 the taxation authorities accepted audit observations of ₹ 95.42 lakh in 226 cases. In a few cases, the Department stated that the operators had stopped moving in other States and deploy their vehicle in local transportation contract. Suitable instructions are being issued to keep records of national permit vehicles and to devise a system for timely renewal of national permit/authorisation. Further report has not been received (December 2010).

The matter was reported to the Government (May 2010); their reply has not been received (December 2010).

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<sup>63</sup> Ahmedabad, Bardoli, Bharuch, Bhuj, Dahod, Godhra, Jamnagar, Nadiad, Surat, Vadodara and Valsad.



## 4.15 Short demand of motor vehicles tax and non-levy of interest and penalty from fleet owners

Section 12 of the BMVT Act and rules made thereunder provides that any tax due and not paid shall be recoverable in the same manner as arrears of land revenue. The Act also provides for levy of interest and penalty at prescribed rate on delayed payments of the tax. The Rules also provide to make declarations by the fleet owners in prescribed form HT and IT (preliminary and final) for assessment and collection of tax.

**4.15.1** During test check of records of Commissioner of Transport, Gandhinagar for the period 2007-08, we noticed in case of two fleet owners (GSRTC and AMTS) that these fleet owners had not paid motor vehicle tax

of ₹ 4.06 crore. Taxation authority had issued a demand of ₹ 4.06 crore but did not demand interest of ₹ 73.04 lakh and penalty of ₹ 1.01 crore. Taxation authority failed to initiate any other action for recovery of the dues except issue of demand notice. This resulted in non-levy of interest and penalty of ₹ 1.74 crore. Besides, MVT of ₹ 4.06 crore also remained unrealised.

After this was pointed out in April 2009, the Department stated that demand notices have been issued to the fleet owners and matter is under process. Further report has not been received (December 2010).

The matter was reported to the Government (June 2010); their replies have not been received (December 2010).

**4.15.2** During test check of records of Commissioner of Transport, Gandhinagar in April 2009 for the period 2007-08, we noticed that the taxation authority intimated provisional assessment (HT Form) amount of ₹ 3.84 crore instead of final assessment (IT Form) amount of ₹ 3.99 crore to GSRTC. This has resulted in short demand of ₹ 14.52 lakh. Interest of ₹ 2.61 lakh was also recoverable on delay in payment of tax.

After this was pointed out to the Department in September 2009, the Department accepted the audit observation. Further report of recovery has not been received (December 2010).

The matter was reported to the Government (June 2010); their reply has not been received (December 2010).

#### 4.16 Non-renewal of fitness certificate and non-recovery of inspection fees

Rule 62 and 81 of the CMV Rules provide that every public transport vehicle has to obtain certificate of fitness annually by payment of fees after completion of two years of registration. Section 56 of the MV Act prohibits plying of vehicles on roads without the fitness certificate. Further, as per Section 192 of the MV Act, vehicles plying without valid registration are punishable with fine which may extend to ₹ 5,000 but shall not be less than ₹ 2,000.

During test check of the records of 18 taxation authorities<sup>64</sup> between July 2008 and July 2009 for the year 2006-07 to 2008-09, we noticed that 66,515 vehicle owners did not present their vehicles for inspection for renewal of fitness certificates.

Taxation authorities also did not ensure timely realisation of inspection fees. The Department did not have any mechanism to detect the vehicles whose fitness/registration certificates had expired and which had not been renewed. The Department failed to take any action to enforce the mandatory provisions of the Act. The Government, therefore, could not recover ₹ 2.51 crore leviable for renewal of fitness certificates. This also exposed the general public to the dangers due to vehicles plying on roads without valid fitness certificates. Besides, minimum fine of ₹ 13.30 crore was also leviable in these cases at the minimum of ₹ 2,000 in each case.

After this was pointed out between June 2009 and January 2010, the Department accepted audit observation in case of 29,908 vehicles for ₹ 1.09 crore and recovered ₹ 44.83 lakh including fine in case of 73 vehicles. Particulars of recovery and replies in the remaining cases have not been received (December 2010).

The matter was reported to the Government (May 2010); their replies have not been received (December 2010).

#### 4.17 Evasion of entry tax

The Gujarat Government (Sales Tax Department) decided (September 2001) to levy entry tax at the rate of 12 *per cent* on motor vehicles brought from other states in Gujarat within 15 months from the date of its registration. The Departmental instructions (October 2003) provided that RTOs should verify payment of entry tax by demanding prescribed documents from the vehicles owners.

During test check of the records of 11 taxation authorities<sup>65</sup> between December 2008 and July 2009, we noticed that with respect to 59 vehicles brought from other states in 2007-08 and 2008-09 into their jurisdiction, the

<sup>64</sup> Ahmedabad, Amreli, Anand, Bardoli, Bhavnagar, Bhuj, Dahod, Gandhinagar, Godhra, Jamnagar, Mehsana, Nadiad, Navsari, Rajkot, Surat, Surendranagar, Vadodara and Valsad

<sup>65</sup> Ahmedabad, Bardoli, Dahod, Godhra, Jamnagar, Junagadh, Mehsana, Nadiad, Navsari, Surat and Vadodara.

Departmental officials did not keep on record any proof of payment of entry tax as prescribed in circular before re-registration. This resulted in evasion of entry tax of ₹ 69.67 lakh.

After this was pointed out between June 2009 and January 2010, the Department stated that it was not directly concerned with collection of entry tax but the Departmental officials have been instructed to verify the payment of entry tax before registering the vehicles in the State. Further the Department has recovered entry tax of ₹ 3.31 lakh in two cases and initiated action for recovery in the remaining cases. Particulars of recovery have not been received (December 2010).

The matter was reported to the Government (May 2010); their reply has not been received (December 2010).

#### 4.18 Short levy of tax on imported vehicles

As per the Notification dated April 2007 issued under the BMVT Act, six *per cent* of sales value is payable as tax on registration of indigenous four wheeled vehicles by individuals, local authorities, universities, educational and social institutions' and for others the rate is double. In case of imported cars, tax is payable at twice the above rates. Further, instructions were issued to treat certain vehicles (vide circular dated 27.7.2004) as imported vehicles and tax them accordingly.

During the test check of records of the taxation authority, Surat in February 2009 for the year 2007-08, we noticed in 10 cases of imported vehicles that tax was not levied at applicable rate. This resulted in short levy of MVT of ₹ 29.05 lakh.

After this was pointed out in August 2009, the Department accepted the audit observation; however, a report on recovery has not been received (December 2010).

The matter was reported to the Government (June 2010); their reply has not been received (December 2010).